

**BROADMOOR CHARTER SCHOOL BOARD, INC.**

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

4/20/11

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
STATEMENT OF FINANCIAL POSITION--JUNE 30, 2010 .....	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010 .....	4
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2010 .....	5
NOTES TO THE FINANCIAL STATEMENTS .....	6
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule of Expenditures of Federal Awards .....	14
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH WITHE <u>GOVERNMENT AUDITING STANDARDS</u> .....	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	22
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS .....	62
EXIT CONFERENCE .....	63



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**Broadmoor Charter School Board, Inc.**

We have audited the accompanying statement of financial position of the **Broadmoor Charter School Board, Inc. (the School)** (a not-for-profit corporation) as of June 30, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the management of **the School**. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the School** as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**Broadmoor Charter School Board, Inc.**  
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2011 on our consideration of **the School's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **the School** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

January 14, 2011



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2010**

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**ASSETS**

Cash	\$ 534,498
Accounts receivable	6,432
Grants receivable (NOTE 2)	692,726
Fixed assets, net (NOTE 3)	<u>392,514</u>
Total assets	<u>\$1,626,170</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 166,205
Accrued liabilities	493,614
Due to management company (NOTE 4)	<u>820,090</u>
Total liabilities	<u>1,479,909</u>
Net assets:	
Unrestricted (NOTE 1)	<u>146,261</u>
Total net assets	<u>146,261</u>
Total liabilities and net assets	<u>\$1,626,170</u>

The accompanying notes are an integral part of these financial statements.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**REVENUES**

Local Sources:

Per pupil aid - MFP (NOTE 1)	\$2,059,983
Miscellaneous	<u>62,527</u>

Total revenues from local sources 2,122,510

State Sources:

Per pupil aid - MFP (NOTE 1)	1,720,911
Grant	<u>11,494</u>

Total revenues from state sources 1,732,405

Federal sources 1,246,298

Total revenues 5,101,213

**EXPENSES**

Program Services:

Instruction	2,827,035
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Support Services:

Pupil support services	272,481
Instructional staff services	174,080
General administration	32,363
School administration	265,107
Business services	94,213
Plant services	483,724
Student transportation services	490,273
Central services	92,281
Food services operations	290,135
Depreciation expense	<u>162,521</u>

Total expenses 5,184,213

Change in net assets (83,000)

Unrestricted net assets, beginning of year 160,006

Adjustment to unrestricted net assets, beginning of year (NOTE 13) 69,255

Unrestricted net assets, beginning of year, as restated 229,261

Unrestricted net assets, end of year \$ 146,261

The accompanying notes are an integral part of these financial statements.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (83,000)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	162,521
Adjustment to beginning net assets	69,255
Increase in accounts receivable	(6,432)
Increase in grants receivable	(327,647)
Decrease in prepaid expenses	27,822
Decrease in due from management company	800,519
Increase in accrued liabilities	46,488
Decrease in accounts payable	(156,977)
Increase in due to management company	<u>24,319</u>
Net cash provided by operating activities	<u>556,868</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Acquisition of furniture and equipment	<u>(123,279)</u>
Net cash used in investing activities	<u>(123,279)</u>
Increase in cash	433,589
Cash, beginning of year	<u>100,909</u>
Cash, end of year	<u>\$ 534,498</u>

The accompanying notes are an integral part of these financial statements.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies:**

**General**

The **Broadmoor Charter School Board, Inc. (the School)** (a not-for-profit corporation) was granted a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2007 to operate a Type 5 public charter school d/b/a **Andrew H. Wilson Charter School**. The School entered into a management agreement with the EdisonLearning, Inc. (EdisonLearning) to act as a management company of the charter school. EdisonLearning manages all aspects of the charter school unless provided in the management agreement.

The management agreement with EdisonLearning commenced on July 30, 2007 and ending on June 30, 2012, unless terminated earlier or extended in accordance with the terms and conditions set forth in the management agreement. On February 24, 2010, an agreement was reached between both parties that prohibited the termination of the management agreement in consideration of the deficit forgiveness in the amount of \$800,519 for the year ended June 30, 2009. The agreement shall renew automatically for a term of five (5) years unless notice to the contrary is given by the parties of the agreement as required by the renewal section of the agreement.

During the 2010 school year, the School served kindergarten through sixth grades, with an enrollment of 525 students.

**Basis of Accounting**

The School's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,  
Continued:

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Fixed Assets

Fixed assets consist of equipment, property, curriculum, furniture, fixtures, technology assets and leasehold improvements that are purchased by or donated to **the School**. Curriculum assets represent any instructional materials and equipment including books, videos, globes, calculators, science equipment, CDs, DVDs, musical instruments, gymnasium equipment and other.

Fixed assets of **the School** with a cost of \$1,000 (\$500 for curriculum) or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided utilizing the straight-line method over estimated useful lives of the asset.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by **the School**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Grants Receivable

The grants receivable are stated at the amount management expects to collect from outstanding balances.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,  
Continued:

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Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less. **The School** had no cash equivalents at June 30, 2010.

Income Taxes

**The School** is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in accompanying financial statements. If for some reason the tax status is challenged in the future, the 2007, 2008 and 2009 tax years are open for examination by the IRS.

Financial Statement Presentation

In accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205 *Not-for-Profit Entities Presentation of Financial Statements*, **the School** is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Support, revenues, and expenses for the general operation of **the School**.

Temporarily Restricted Net Assets - Contributions specifically authorized by the donors to be used for a certain purpose or to benefit a specific accounting period.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,  
Continued:

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Financial Statement Presentation, Continued

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by **the School**. Generally, the donors of these assets permit **the School** to use all or part of the income derived from the investment of these contributions.

At June 30, 2010, **the School** has no temporarily or permanently restricted net assets.

Contributions

In accordance with FASB ASC 958-605, unconditional promises to give (pledges) should be recorded as receivable and revenues and **the School** is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

Minimum Foundation Program (MFP)

**The School**, as a Type 5 charter school, received funding from BESE in an amount for pupils based on estimated daily attendance at **the School**. The amount of funding received is adjusted during the school year based on a student count on a designated date and the results of any audits performed.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,  
Continued:

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among instructional and support services in the accompanying statement of activities.

NOTE 2 - Grants Receivable:

Grants receivable at June 30, 2010, consists of the following:

Federal grants	\$681,232
State grants	<u>11,494</u>
Grants receivable	<u>\$692,726</u>

NOTE 3 - Fixed Assets:

The following is a summary of fixed assets at June 30, 2010:

Curriculum - textbooks and workbooks	\$ 570,657
Equipment and furniture	229,841
Less accumulated depreciation	<u>(407,984)</u>
Fixed assets, net	<u>\$ 392,514</u>

Depreciation charged to operations at June 30, 2010, was \$162,521.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Due to Management Company:**

The management company agreement with EdisonLearning is a residual fee agreement. This means that the management company receives its fee only when revenues exceed expenses. Operational expenses are paid by the management company and **the School** transfers to the management company all grant revenues it earns and receives to defray operational expenses paid by the management company and certain management company reimbursable expenses.

At June 30, 2010 amounts due to the management company represents revenues earned by **the School** not yet remitted to the management company in the amount of \$820,090.

**NOTE 5 - In-Kind Contributions:**

**The School** received rent-free use of a school building from the Recovery School District (RSD) and also the use of furniture and equipment rent-free. The estimated value of the use of the building and furniture/equipment was not readily determinable and no amounts have been recorded in the accompanying financial statements.

**NOTE 6 - Contractual Services:**

**The School's** principal is an employee of EdisonLearning. Food service and maintenance personnel are provided by respective independent contractors. All other personnel are employed by **the School**.

**NOTE 7 - Risk Management:**

**The School** is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **the School** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 8 - Concentration of Credit Risk:**

**The School** maintains cash balances at a local bank. Accounts at this institution are fully insured by the Federal Deposit Insurance Corporation (FDIC). This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

**NOTE 9 - Board of Directors' Compensation:**

The board of directors is a voluntary board, therefore, no compensation was paid to any board member during the year ended June 30, 2010.

**NOTE 10 - Contingency:**

**The School** is a recipient of local, federal, and state grants. The grants are governed by various local, federal, and state guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **the School** and are subject to audit and/or review by the local, federal, and state grantor. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the local, federal, and state agencies may be subject to recapture.

**NOTE 11 - Subsequent Events:**

**The School** is required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the financial statements. **The School** performed such an evaluation through January 14, 2011, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 12 - Related Party Transactions:**

During the year ended June 30, 2010, health and medical insurance coverages for **the School's** employees were provided through **the School's** management company. Included in **the School's** expenses for the year ended June 30, 2010 is approximately \$385,000 representing the cost charged to **the School** by the management company for employee health and medical insurance benefits.

**NOTE 13 - Adjustment to Beginning Net Assets:**

Unrestricted net assets at the beginning of the 2010 fiscal year has been adjusted to correct transactions executed by the management company on behalf of **the School** that were improperly coded by **the School** and thus omitted from prior year's financial statements. The error had no effect on change in net assets for the prior year.

## **SUPPLEMENTARY INFORMATION**



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
Passed through State of Louisiana Department of Education:		
School Lunch Program	10.555	\$ <u>248,717</u>
<b>Total U.S. Department of Agriculture</b>		<u>248,717</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
Passed through State of Louisiana Department of Education:		
Elementary and Secondary Education Act (ESEA)		
Title I Part A Grants to Local Educational Agencies	84.010	474,989
Elementary and Secondary Education Act (ESEA)		
Title I Part A Grants to Local Educational Agencies - American Recovery and Reinvestment Act (ARRA)	84.389	7,909
Elementary and Secondary Education Act (ESEA)		
Title II Part A Improving Teacher Quality State Grants	84.367	36,477
Individuals with Disabilities Act (IDEA)		
P.L. 101-476	84.027	73,245
Individuals with Disabilities Act (IDEA)		
P.L. 101-476 - American Recovery and Reinvestment Act (ARRA)	84.391	7,983
Public Charter Schools Program	84.282	352,166
State Fiscal Stabilization Fund (SFSF)		
Education State Grants - American Recovery and Reinvestment Act (ARRA)	84.394	<u>44,812</u>
<b>Total U.S. Department of Education</b>		<u>997,581</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$1,246,298</u>

NOTE: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See the Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
**Broadmoor Charter School Board, Inc.**

We have audited the financial statements of the **Broadmoor Charter School Board, Inc. (the School)**, (a not-for-profit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered **the School's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the School's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

**Internal Control Over Financial Reporting, Continued**

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2010-01 through 2010-04, to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-05 through 2010-09, to be significant deficiencies.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **the School's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2010-10 and 2010-11.

We also noted certain matters that we reported to the management of **Broadmoor Charter School Board, Inc.** in a separate letter dated January 14, 2011.

**The School's** responses to the findings identified in our audit are described in a separate document. We did not audit **the School's** responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the **Broadmoor Charter School Board, Inc.'s** Board of Directors, the Louisiana Recovery District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

January 14, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of  
**Broadmoor Charter School Board, Inc.**

**Compliance**

We have audited the compliance of the **Broadmoor Charter School Broad, Inc. (the School)** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **the School's** major federal programs for the year ended June 30, 2010. **The School's** major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **the School's** management. Our responsibility is to express an opinion on **the School's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **the School's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **the School's** compliance with those requirements.

In our opinion, **the School** complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned cost as items 2010-12 through 2010-15.

**Internal Control Over Compliance**

The management of **the School** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **the School's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal control over compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program that will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in **the School's** internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies described in the accompanying schedule of findings and questioned cost as items 2010-16 through 2010-19. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**The School's** responses to the findings identified in our audit are described in a separate document. We did not audit **the School's** responses and, accordingly, we express no opinion on the responses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

This report is intended solely for the information and use of management, the **Broadmoor Charter School Board, Inc.**'s Board of Directors, the Louisiana Recovery District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

January 14, 2011



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**Section I - SUMMARY OF AUDITORS' RESULTS**

- A. The type of report issued on the financial statements: unqualified opinion.
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: yes Material weaknesses: yes.
- C. Noncompliance which is material to the financial statements: yes.
- D. Significant deficiencies in internal control over major programs: yes Material weaknesses: no.
- E. The type of report issued on compliance for major programs: unqualified opinion.
- F. Any audit findings which are required to be reportable under Section 510(a) of OMB Circular A-133: yes.
- G. Major programs:

<u>CFDA Number</u>	<u>Program</u>
84.010	ESEA Title I Part A
84.389	ESEA Title I Part A ARRA
84.282	Public Charter Schools Program

- H. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- I. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no.
- J. A management letter issued: yes.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**

**2010-01 Financial Reporting**

**Criteria**

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

**Condition**

Upon receipt of **the School's** general ledger we noted the following significant deficiencies in the internal control over financial reporting that we consider material weaknesses in that they represented material misstatements in **the School's** financial statements (i.e. general ledger) that was not prevented or detected and corrected on a timely basis by management or employees in the normal course of performing their assigned functions.

o **Prepaid Expenses**

Upon receipt of **the School's** general ledger, we noted that included in prepaid expenses at June 30, 2010 was approximately \$53,800 of which approximately \$27,800 dated back to the prior year. We were initially unable to ascertain the composition of the prepaid balances based on our inquiries of management of **the School**. Our additional audit procedures and inquiries necessitated audit adjustments to properly state prepaid balances at June 30, 2010.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-01 Financial Reporting, Continued**

**Condition, Continued**

o **Capitalized Cost and Related Depreciation Expense**

Upon receipt of the School's depreciation calculation, we noted that it's the School's policy that capitalized assets are depreciated on a straight-line basis. Our initial observations revealed that depreciation expense was calculated incorrectly. Additionally, during the course of the audit, we identified additional capitalizable assets that were incorrectly recorded and classified and not properly depreciated. These errors and misclassifications resulted in a recalculation of depreciation expense and audit adjustments to properly state capitalized assets and depreciation expense as of and for the year ended June 30, 2010.

o **Accounts Payable and Accrued Liabilities**

Upon receipt of the School's general ledger, included in liabilities were approximately \$89,300 identified as accounts payable. Upon our initial inquiry of management, we were unable to obtain a supporting detail as to which vendors were owed payments aggregating to \$89,300. Additionally, our inquiries revealed that the \$69,700 identified as "bonuses payable" were not true liabilities but actually amounts designated for potential future bonus payments that had not been declared and approved for payment by the School as of June 30, 2010. During the course of our additional inquiries and audit procedures we were unable to ascertain the necessity for an audit adjustment to properly state and classify these balances.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-01   Financial Reporting, Continued**

**Effect**

The School's financial statements for the year ended June 30, 2010 were materially misstated.

**Cause**

Effective controls did not exist in 2010 fiscal year to prevent or detect a material misstatement of the financial statements.

**Recommendation**

We recommend that the internal controls over financial reporting be strengthened to ensure the fair and accurate presentation of account balances as reflected in the accounting books and records of the School.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-02 Management**

**Criteria**

Professional standards require that we, as auditors, assess whether management possesses sufficient knowledge of **the School's** financial condition as well as an understanding of accounting matters to assume responsibility for fairness of valuation and presentation of the financial statements and adequacy of disclosure under generally accepted accounting principles.

**Condition**

During the course of the audit, we noted that while a significant portion of **the School's** financial operations are performed by a management company, there appears to be a lack of sufficient communication and expertise at **the School** to adequately evaluate transactions executed by the management company on behalf of **the School** and to accept responsibility for **the School's** financial statements and adequacy of disclosure under generally accepted accounting principles.

**Effect**

**The School's** does not have personnel with sufficient knowledge and expertise to assume responsibility for the financial statements.

**Cause**

Lack of effective communication between the management company and **the School**.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-02. Management, Continued**

**Recommendation**

We recommend that **the School** designate an individual with sufficient knowledge and expertise to ensure sufficient communication with the management company; evaluate the transactions executed by the management company on behalf of **the School** and to accept responsibility for **the School's** financial statements and adequacy of disclosure under generally accepted accounting principles.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-03 Reimbursable Expenses**

**Criteria**

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

**Condition**

Upon our review of a statement of **the School's** account with the management company, we noted the included in amounts billed to **the School** were \$112,500 of cost identified as "reimbursable cost". Based on our inquiries of management these reimbursable costs were not actually reimbursable costs but were costs that were incorrectly coded and posted to the general ledger and not reimbursable to the management company.

**Effect**

**The School's** financial statements for the year ended June 30, 2010 were materially misstated.

**Cause**

Effective controls did not exist in 2010 fiscal year to prevent or detect a material misstatement of the financial statements.

**Recommendation**

We recommend that management obtain and review on a timely basis documentation supporting reimbursable cost billed to **the School** to determine its accuracy and propriety.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported  
In Accordance with Government Auditing Standards  
(Continued)**

**2010-04 Transaction Testing**

**Criteria**

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

**Condition**

During the course of our audit we selected (a) twenty (20) check disbursement transactions made by **the School** from bank accounts maintained by **the School**; (b) twenty (20) cash receipt transactions deposited to the bank accounts maintained by **the School**; and (c) twenty (20) general journal transactions representing transactions executed by the management company on behalf of **the School**. The results of our test work revealed the following:

**Disbursements – School Bank Accounts**

- o Of the twenty (20) disbursements selected for testing, one (1) disbursement lacked adequate supporting documentation in support of the amount disbursed and classification of the disbursement.

**Receipts – School Bank Accounts**

- o Of the twenty (20) receipts selected for testing, eight (8) receipts lacked adequate supporting documentation in support of the amount received and classification of the receipt.



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-04   Transaction Testing, Continued**

**Condition, Continued**

**General Journal Transactions**

- o Of the twenty (20) general journal transactions selected for testing, seven (7) of those transactions involved in the posting of monthly payroll related transactions. Those seven (7) transactions included “soft close” and “summer pay” accruals for which we were unable to ascertain the method for the calculation of those accruals;
- o Of the twenty (20) general journal transactions selected for testing, four (4) of those transactions involved the posting of medical insurance cost. We were unable to ascertain the method for the calculation and allocation of medical cost to **the School**. For the year ended June 30, 2010, medical insurance cost allocated to **the School** approximated \$385,000;
- o Of the twenty (20) general journal transactions selected for testing, one (1) of those transactions involved the monthly “bonus” accrual. We were unable to ascertain the method for calculation for the “bonus” accrual entry;

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-04 Transaction Testing, Continued**

**Condition, Continued**

**General Journal Transactions, Continued**

- o Of the twenty (20) general journal entries selected for testing, three (3) of those transactions involved posting of payments for contracted services related to maintenance, transportation and food services. Monthly cost for these contracted services approximate \$28,000 for maintenance; \$59,000 for transportation and \$27,000 for food services. We were unable to review the contacts for these services but only amendments in the form of "option renewals" for the transportation and maintenance contracts. Additionally, the "option renewals" for maintenance and transportation were executed by representatives of the School's management company and we were unable to obtain signed agreements for the food service contract;
- o Of the twenty (20) general journal transactions selected for testing, two (2) of those transactions involved posting of utilities (gas & electric and water) for the School. We were unable to agree the utility cost posted to a supporting utility invoice(s); and
- o Of the twenty (20) general journal transactions selected for testing, one (1) transaction involved the posting of cost of \$89,534 for various equipment purchased and charged to classroom supplies. Of this amount \$54,024 represents equipment above the School's capitalization threshold and should have been capitalized. An audit adjustment was recorded to properly classify these capitalizable costs.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-04   Transaction Testing, Continued**

**Effect**

**The School** has not adhered to its cash disbursement procedures for those exceptions noted above.

**Cause**

Internal controls over cash disbursements were not adhered to.

**Recommendation**

We recommend that the School implement the necessary internal control procedures to ensure the adequacy, accuracy and retention of supporting documentation for all transactions executed by **the School** and by the management company on behalf of **the School**.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported  
In Accordance with Government Auditing Standards  
(Continued)**

**2010-05   Operations**

**Criteria**

*Government Auditing Standards* indicate that “auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions”. Those standards also indicate, while the nature and types of evidence to support auditors’ findings and conclusions are matters of the auditors’ professional judgment based on the audit objectives and audit risk, examination of original documents is generally more reliable than examination of copies.

**Condition**

During the course of our audit, we noted that upon receipt, **the School** forwards all “External Public Funds” [i.e. State and Local Minimum Foundation Program (MFP) funds and all Federal awards and grant funds] directly to its management company to cover the majority of the day-to-day operating expenses of **the School**. The management company subsequently forwards to **the School** summary schedules of transactions executed on behalf of **the School** and those transactions are posted in summary form, via journal entries, to the general ledger maintained by **the School**. Electronic images of the applicable supporting documentation (i.e. vendor invoices, cancelled check images, etc.) for those transactions are available upon request from the management company. The originals of this documentation remain in the custody of the management company and are not routinely provided to **the School** and reconciled by **the School** to the various summary schedules of transactions previously provided by the management company.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-05   Operations, Continued**

**Effect**

**The School** has not adhered to its cash disbursement procedures for those exceptions noted above.

**Cause**

Internal controls over cash disbursements were not adhered to.

**Recommendation**

We recommend that all original documentation in support of transactions executed by the management company on behalf of **the School** be forwarded to **the School** on a routinely and timely basis to support transactions posted to **the School's** general ledger and that the original documentation be periodically reconciled to the summary schedules of transactions executed by the management company.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-06   Payroll Transaction Processing**

**Criteria**

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

**Condition**

During the course of our audit we selected a sample of payroll transactions posted to the general ledger maintained by **the School** from spreadsheets provided to **the School** by the management company. During the course of our test work, we noted that included in the payroll transaction amount posted to **the School's** general ledger were various system generated "soft close" monthly accruals which were represented to us as being reversed in the subsequent period but we were unable to ascertain the method for the calculation for the monthly "soft close" accruals. Additionally, included were monthly "summer pay" accruals for which we were unable to ascertain the method for the calculation for the monthly "summer pay" accruals.

Additionally, included in the payroll transactions selected for testing were payroll cost associated with **the School's** principal that were not included in the payroll register of **the School** due the principal being classified as an employee of the management company and not **the School**. The payroll costs associated with **the School's** principal were included spreadsheets provided to **the School** by the management company and posted to the general ledger maintained by **the School**.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-06 Payroll Transaction Processing, Continued**

**Effect**

The School has not adhered to its cash disbursement procedures for those exceptions noted above.

**Cause**

Internal controls over cash disbursements were not adhered to.

**Recommendation**

We recommend that the monthly "soft close" and "summer pay" payroll accruals be reviewed to determine the reasonableness of its calculation and all the payroll cost all personnel charged to the School be included in the School's payroll register.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-07   Management Agreement**

**Criteria**

Pursuant to the terms of the management agreement **the School** may (a) request a calculation of the net profit earned by the management company from operation of **the School** and (b) if there is a disagreement in the calculation, engage an independent certified public accounting firm to review such calculation and all related work papers, and issue its own calculation of net profit.

**Condition**

**The School** has not requested a calculation of the net profit earned by the management company from the operation of **the School**.

**Effect**

**The School** has not ascertained the net profit, if any, earned by the management company from the operation of **the School**.

**Cause**

Failure by **the School** to exercise its rights under the terms and conditions of the management agreement.



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-07 Management Agreement, Continued**

**Recommendation**

We recommend that **the School** exercise its rights under the terms and conditions of the management agreement to (a) request a calculation of the net profit earned by the management company from operation of **the School** and (b) if there is a disagreement in the calculation, engage an independent certified public accounting firm to review such calculation and all related work papers, and issue its own calculation of net profit.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-08   Sufficient, Appropriate Evidence**

**Criteria**

*Government Auditing Standards* indicate that “auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions”. Those standards also indicate, while the nature and types of evidence to support auditors’ findings and conclusions are matters of the auditors’ professional judgment based on the audit objectives and audit risk, examination of original documents is generally more reliable than examination of copies.

**Condition**

During the course of our testing, we noted that only scanned images of vendor invoices, canceled checks, contracts, etc. supporting various disbursements made on behalf of **the School** by the management company were available for our review and inspection. *Government Auditing Standards* indicate that “auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions”. Those standards also indicate, while the nature and types of evidence to support auditors’ findings and conclusions are matters of the auditors’ professional judgment based on the audit objectives and audit risk, examination of original documents is generally more reliable than examination of copies.

**Effect**

**The School has not adhered to its record retention procedures above.**

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-08    Sufficient, Appropriate Evidence, Continued**

**Cause**

Internal controls over record retention were not adhered to.

**Recommendation**

We recommend that **the School** obtain and maintain on file, original vendor invoices and contracts supporting disbursements made to vendors by the management company on behalf of **the School**. Additionally, we recommend that **the School** develop a record retention policy that allows for destruction of original vendor invoices after a predetermined timeframe and maintenance of those scanned images subsequent to destruction of original vendor invoices.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-09 Information System**

**Criteria**

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

**Condition**

As reported in the prior year, disbursement transactions relating to expenditures made on behalf of **the School** by the management company were recorded to an accounting system maintained and operated by the management company and all transactions were not recorded in a centralized information system maintained by **the School**. Additionally, all expenditures made by the management company on behalf of **the School** were disbursed from a bank account also maintained by the management company. In the current year, all transactions related to the activities of **the School** were recorded via journal entry in the accounting system maintained by **the School's** based on spreadsheets provided by the management company. However, based on our inquiries of management, adequate underlying documentation supporting those transactions executed by the management company on behalf of **the School** are not routinely and consistently provided to **the School** by the management company.

**Effect**

**The School has not adhered to its record retention procedures above.**

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-09 Information System, Continued**

**Cause**

**The School** has not fully established an information system for financial information that is effective and efficient.

**Recommendation**

We recommend that the management of **the School** ensure that it is provided adequate supporting documentation in support of transactions executed on its behalf by the management company.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported  
In Accordance with Government Auditing Standards  
(Continued)**

**2010-10      Accounting Records**

**Criteria**

The Louisiana Department of Education publishes the *Louisiana Accounting and Uniform Governmental Handbook* for local school boards to serve as a vehicle for program cost accounting at the local and state levels in an attempt to provide comprehensive and compatible sets of standardized terminology for use in education management and reporting. This is intended to increase the uniformity of accounting records in use at the local level to make financial data assembled at the state and federal levels more compatible and meaningful.

**Condition**

During the inception of our audit procedures, we noted that **the School's** various general ledger account coding and classifications are not currently structured to conform to the requirements of the *Louisiana Accounting and Uniform Governmental Handbook*. As a result, during the preliminary phase of the audit a manual restructuring and conversion was necessitated to conform to those requirements.

**Effect**

**The School's** financial reporting system is not consistent with the *Louisiana Accounting and Uniform Governmental Handbook*.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-10      Accounting Records, Continued**

**Cause**

**The School** has not implemented the requirements of the *Louisiana Accounting and Uniform Governmental Handbook*.

**Recommendation**

We recommend that **the School's** general ledger account coding and classifications be revised to conform to the requirements of the *Louisiana Accounting and Uniform Governmental Handbook* to eliminate the need for a manual restructuring or conversion.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION II - Findings Relating to the Financial Statements Reported**  
**In Accordance with Government Auditing Standards**  
**(Continued)**

**2010-11 Submission of Audit Report**

**Criteria**

LSA-RS 24:513 (A)(5)(I) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Auditor Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

**Condition**

The audited financial statements of **the School** as of and for the year ended June 30, 2010 were not submitted to the Louisiana Legislative Auditor by the statutory due date of December 31, 2010 as required by LSA-RS 24:513(A)(5)(I).

**Effect**

An audit report filed with an approved extension from the Legislative Audit after the six (6) months timeframe for any reason other than for a natural disaster is a violation of the State audit completion and submission law.

**Cause**

**The School's** financial statements were not completed in a timely manner.

**Recommendation**

We again recommend that **the School** review its financial reporting procedures to ensure that its annual audited financial statements are submitted to the Louisiana Legislative Auditor within the required timeframe.



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION III - Findings and Questioned Costs Related to Federal Awards**

**2010-12 Procurement (Cost and Price Analysis)**

**Federal Award Identification**

84.010 – Title I Grants to Local Educational Agencies (Title I, Part A)

84.389 – Title I Grants to Local Educational Agencies, Recovery Act

84.282 – Public Charter Schools Program

**Criteria**

Pursuant to the requirements of 2 CFR Section 215.45 - "Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability".

**Condition**

During the course of our test work we noted that during the year, **the School** purchased supplies exceeding the small purchase threshold of \$25,000 for "brand name" products from two (2) vendors. Additionally, we also noted that **the School** also entered into contract, exceeding the small purchase threshold with one (1) additional vendor to provide services. Our review of the procurement of these items indicated that a cost or price analysis was not documented in the procurement files, documenting the basis for the vendor or contract selection, justification for lack of competition or the basis for cost or price in connection with these three (3) procurement transactions.

**Questioned Costs**

\$177,189 (\$95,267, \$41,744 and \$40,178, respectively)

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-12 Procurement (Cost and Price Analysis), Continued**

**Effect**

The procurement of goods and the contract selection, as reported above, were not made in compliance with federal regulations.

**Cause**

**The School** lacks adequate procedures to ensure compliance with federal procurement regulations.

**Recommendation**

We recommend that **the School** take the necessary steps to ensure that some form of cost or price analysis is conducted and documented in the procurement files in connection with every applicable procurement transaction.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-13 Allowable Costs (Fringe Benefits)**

**Federal Award Identification**

84.010 – Title I Grants to Local Educational Agencies (Title I, Part A)

**Criteria**

Pursuant to the requirements of 2 CFR Section 230 - Charges to awards for fringe benefits, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of fringe benefits to awards must be supported by appropriate documentation.

**Condition**

During our audit, the School was unable to provide documentation to support health insurance costs charged to federal awards programs. Based on our discussions with management, the charges were based on a management's estimate of insurance costs as provided by the management company. We were unable to obtain the basis for the calculations for the estimates. Additionally, the estimate is made for all employees with no determination that the employee is actually a participant in the healthcare plan.

**Questioned Costs**

\$66,295

**Effect**

The School has not complied with federal regulations.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-13 Allowable Costs (Fringe Benefits), Continued**

**Cause**

**The School** did not establish policies or procedures to comply with federal regulations.

**Recommendation**

We recommend that **the School** establish policies and procedures to support fringe benefits, as outlined in 2 CFR Section 230.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-14 Reporting (Request for Reimbursement)**

**Federal Award Identification**

82.282 Public Charter Schools Program

**Criteria**

Pursuant to the requirements of 2 CFR 215.21 -Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

**Condition**

We noted during our audit that **the School** requested and received duplicate funding of \$41,533 in error from the funding source.

**Questioned Costs**

\$41,533

**Effect**

**The School** has not complied with federal regulations.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-14 Reporting (Request for Reimbursement), Continued**

**Cause**

**The School** did not establish policies or procedures to comply with federal regulations.

**Recommendation**

We recommend that **the School** establish policies and procedures to comply with 2CFR Subpart C

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-15 Cash Management**

**Federal Award Identification**

82.282 Public Charter Schools Program

**Criteria**

Pursuant to the requirements of OMB Circular A-133 Compliance Supplement, Section C, stipulates that a program on a reimbursable basis ensure that funds are not drawn down before incurrence of the expenditure; that all draw-downs occurred after the disbursement date.

**Condition**

During our audit, we noted that **the School** received advanced funding of nine (9) of forty (40) disbursements tested.

**Questioned Costs**

None

**Effect**

It appears that **the School** was not compliant with the cash management compliance requirement for the items tested.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-15 Cash Management, Continued**

**Cause**

**The School** lacked adequate procedures to ensure compliance with cash management regulations.

**Recommendation**

We recommend that **the School** take the necessary steps to ensure that cash management analysis is conducted in connection with every reimbursement action.



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-16 Procurement (Suspension and Debarment)**

**Federal Award Identification**

84.010 – Title I Grants to Local Educational Agencies (Title I, Part A)  
84.389 – Title I Grants to Local Educational Agencies, Recovery Act  
84.282 – Public Charter Schools Program

**Criteria**

Pursuant to the requirements of 2 CFR Section 180.300, (effective November 26, 2003) when a non-federal entity enters into a covered transaction with an entity at a lower tier the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.

**Condition**

We noted during our testing of cash disbursements that **School** entered into procurement contracts for goods and services exceeding the \$25,000 "covered transactions" threshold without verification that the vendor was not suspended, debarred or otherwise excluded.

**Questioned Costs**

None

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-16 Procurement (Suspension and Debarment), Continued**

**Effect**

**The School** may have entered in covered transactions, as outlined in federal regulations that may be with suspended, debarred or otherwise excluded parties.

**Cause**

Management lacked procedures to ensure compliance with suspension and debarment rules and regulations.

**Recommendation**

We recommend that **the School** verify vendors' suspension and debarment status by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity or adding a clause or condition to the covered transaction contract with the entity.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-17 Procurement (Procurement Policy)**

**Federal Award Identification**

84.010 – Title I Grants to Local Educational Agencies (Title I, Part A)  
84.389 – Title I Grants to Local Educational Agencies, Recovery Act  
84.282 – Public Charter Schools Program

**Criteria**

Pursuant to the requirements of 2 CFR Section 215.44 (a) - All recipients shall establish writing procurement procedures. These procedures shall provide for, at a minimum, procedures relative to (a) prevention of unnecessary purchases; (b) lease and purchase alternatives and (c) federally required procedures for solicitation of goods and services.

**Condition**

We noted during our audit that **the School's** written procurement policy is not in alignment with 2 CFR Section 215.44.

**Questioned Costs**

None.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-17 Procurement (Procurement Policy), Continued**

**Effect**

**The School** has not complied with federal procurement regulations.

**Cause**

Management lacked procedures to ensure **the School's** procurement policies and procedures were in alignment with federal and state regulations.

**Recommendation**

We recommend that **the School** establish a written procurement policy, as outlined in 2 CFR Section 215.44.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-18 Reporting (Accounting Books and Records)**

**Federal Award Identification**

84.010 – Title I Grants to Local Educational Agencies (Title I, Part A)  
84.389 – Title I Grants to Local Educational Agencies, Recovery Act  
84.282 – Public Charter Schools Program

**Criteria**

Pursuant to the requirements of 2 CFR 215.21 - Grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

**Condition**

We noted during our audit that **the School** was unable to provide from its accounting books and records (general ledger) accurate, current and complete identification of federal grant expenditures.

**Effect**

**The Schools** has not complied with federal regulations.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-18 Reporting (Accounting Books and Records), Continued**

**Cause**

**The School's** general ledger does not provide for an accurate and complete identification of federal expenditures in compliance with federal regulations.

**Recommendation**

We recommend that **the School** establish financial management policies and procedures to comply with 2 CFR 215.21.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-19 Allowable Costs (Payroll - Time and Attendance)**

**Federal Award Identification**

84.010 – Title I Grants to Local Educational Agencies (Title I, Part A)

**Criteria**

Pursuant to the requirements of 2 CFR Section 230 App. B - Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization.

**Condition**

We noted during our audit that **the School** does not retain supporting time and attendance documentation subsequent to the close of a calendar year to support salaries and wages and other compensated absences charged to federal awards.

**Questioned Costs**

None

**Effect**

**The School** has not complied with federal regulations.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

**SECTION III - Findings and Questioned Costs Related to Federal Awards**  
**(Continued)**

**2010-19 Allowable Costs (Payroll - Time and Attendance), Continued**

**Cause**

The School did not establish policies or procedures to comply with federal regulations.

**Recommendation**

We recommend that the School establish policies and procedures related to retention of time and attendance documentation in support salaries and wages, as outlined in 2 CFR Section 230.



**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**Section I - Findings Related to the Financial Statements Reported  
In Accordance With Government Auditing Standards**

	<u>Resolved</u>	<u>Unresolved</u>
2009 - 01 Information System	X	
2009 - 02 Financial Reporting		X
2009 - 03 Submission of Audit Report		X
2009 - 04 Material Audit Adjustments		X
2009 - 05 Physical Inventory	X	

**Section II - Findings and Questioned Costs Related to Federal Awards**

	<u>Resolved</u>	<u>Unresolved</u>
2009 - 06 Reimbursement Request	X	
2009 - 07 Unallowed Costs	X	

## **BROADMOOR CHARTER SCHOOL BOARD, INC.**

### **EXIT CONFERENCE**

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The audit report was discussed during the course of the audit and at an exit conference held with the management of **the School**. The individuals who participated in those discussions were as follows:

## **BROADMOOR CHARTER SCHOOL BOARD, INC.**

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Ms. Latoya Cantrell	--	Board President
Mr. Santiago Burgos	--	Board Member
Ms. Kristyna Jones	--	Board Member
Ms. Janice Bailey-Walker	--	Assistant Principal
Ms. Rhonda Smith	--	School Operations Manager
Mr. Brett Stoltz	--	Regional Controller - EdisonLearning

## **BRUNO & TERVALON LLP CERTIFIED PUBLIC ACCOUNTANTS**

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Mr. Michael B. Bruno, CPA	--	Managing Partner
Mr. Armand Pinkney	--	Manager

**BROADMOOR CHARTER SCHOOL BOARD, INC.**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2010**



## TABLE OF CONTENTS

	<u>PAGE</u>
AGREED-UPON PROCEDURES REPORT .....	1
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514-PERFORMANCE AND STATISTICAL DATA):	6
Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources .....	9
Schedule 2 - Education Levels of Public School Staff .....	10
Schedule 3 - Number and Type of Public Schools .....	11
Schedule 4 - Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers .....	12
Schedule 5 - Public School Staff Data .....	13
Schedule 6 - Class Size Characteristics .....	14
Schedule 7 - Louisiana Educational Assessment Program (LEAP) for the 21 <sup>st</sup> Century .....	15
Schedule 8 - The Graduation Exit Exam for the 21 <sup>st</sup> Century.....	16
Schedule 9 - The iLEAP Tests .....	17



Member  
American Institute of  
Certified Public Accountants  
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Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES**

---

To the Board of Directors  
**Broadmoor Charter School Board, Inc.**

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the **Broadmoor Charter School Board, Inc. (the School)** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)**

**PROCEDURES AND FINDINGS**

Our procedures and findings relate to the accompanying schedules and are as follows:

***General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources (SCHEDULE 1)***

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following reported on the schedule:
  - Total General Fund Instructional Expenditures,
  - Total General Fund Equipment Expenditures,
  - Total Local Taxation Revenue,
  - Total Local Earnings on Investment in Real Property,
  - Total State Revenue in Lieu of Taxes,
  - Nonpublic Textbook Revenue, and
  - Nonpublic Transportation Revenue.

No differences noted.

***Education Levels of Public School Staff (SCHEDULE 2)***

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to the School's supporting payroll records as of October 1, 2009.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**Education Levels of Public School Staff (SCHEDULE 2), Continued**

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total of principals and assistant principals per this schedule.

No differences noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2009 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

No differences noted.

**Number and Type of Public Schools (SCHEDULE 3)**

5. We did not obtain a list of schools by type as reported on the schedule. Also, we did not compare the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

This procedure was not applicable because the School operates only one charter school, which includes grades K to 7th.

**Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers (SCHEDULE 4)**

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2009 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)**

**PROCEDURES AND FINDINGS, CONTINUED**

**Public School Staff Data (SCHEDULE 5)**

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation and full-time equivalents were properly included on the schedule.

No differences noted.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

No differences noted.

**Class Size Characteristics (SCHEDULE 6)**

9. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2008 roll books for those classes and determined if the class was properly classified on the schedule.

No differences noted.

**Louisiana Educational Assessment Program (LEAP) for  
the 21<sup>st</sup> Century (SCHEDULE 7)**

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

No differences noted.



INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING AGREED-UPON PROCEDURES  
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Graduation Exit Exam for the 21<sup>st</sup> Century (SCHEDULE 8)

11. We did not obtain test scores as provided by the testing authority and reconcile scores as reported by the testing authority to scores reported in the schedule by **the School**.

This procedure was not applicable because **the School** operates only one charter school, which includes grades K to 7th.

The iLEAP Tests (SCHEDULE 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **the School**.

No differences noted.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management, Board of Directors, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2011

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -**  
**PERFORMANCE AND STATISTICAL DATA)**

---

**SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources**

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

**SCHEDULE 2 - Education Levels of Public School Staff**

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**SCHEDULE 3 - Number and Type of Public Schools**

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**SCHEDULE 4 - Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers**

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -**  
**PERFORMANCE AND STATISTICAL DATA), CONTINUED**

---

**SCHEDULE 5     -     Public School Staff Data**

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**SCHEDULE 6     -     Class Size Characteristics**

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+students. This data is currently reported to the Legislature in the Annual School Report (ASR).

**SCHEDULE 7     -     Louisiana Educational Assessment Program (LEAP)  
for the 21<sup>st</sup> Century**

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**SCHEDULE 8     -     The Graduation Exit Exam for the 21<sup>st</sup> Century**

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

**BROADMOOR CHARTER SCHOOL BOARD, INC.**  
**SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -**  
**PERFORMANCE AND STATISTICAL DATA), CONTINUED**

---

**SCHEDULE 9     -     The iLEAP Tests**

This schedule represents student performance testing data and includes statewide and district summary scores for grades 3, 5, 6, 7 and 9 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory.

**Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana**

**General Fund Instructional and Support Expenditures  
and Certain Local Revenue Sources  
For the Year Ended June 30, 2010**

General Fund Instructional and Equipment Expenditures:

Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 1,646,589	
Other instructional Staff Activities	336,091	
Employee Benefits	465,647	
Purchased and Professional and Technical Services	39,907	
Instructional Materials and Supplies	271,840	
Instructional Equipment	<u>0</u>	
Total Teacher and Student Interaction Activities		\$ 2,760,074
Other Instructional Activities		66,962
Pupil Support Activities	272,481	
Less: Equipment for Pupil Support Activities	<u>0</u>	
Net Pupil Support Activities		272,481
Instructional Staff Services	174,080	
Less: Equipment for Instructional Staff Services	<u>0</u>	
Net Instructional Staff Services		174,080
School Administration	265,107	
Less: Equipment for School Administration	<u>0</u>	
Net School Administration		<u>265,107</u>
Total General Fund Instructional Expenditures		\$ <u>3,538,704</u>
Total General Fund Equipment Expenditures		\$ <u>0</u>

Certain Local Revenue Sources

Local Taxation Revenue		
Constitutional Ad Valorem Taxes	\$ 0	
Renewable Ad Valorem Taxes	0	
Debt Service Ad Valorem Taxes	0	
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes	0	
Sales and Use Taxes	<u>0</u>	
Total Local Taxation Revenue		\$ <u>0</u>
Local Earnings on Investment in Real Property		
Earnings from 16th Section Real Property	\$ 0	
Earnings from Other Real Property	<u>0</u>	
Total Local Earnings on Investment in Real Property		\$ <u>0</u>
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ 0	
Revenue Sharing - Other Taxes	0	
Revenue Sharing - Excess Portion	0	
Other Revenue in Lieu of Taxes	<u>0</u>	
Total State Revenue in Lieu of Taxes		\$ <u>0</u>

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

**Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana**

**Education Levels of Public School Staff  
October 1, 2009**

Category	Full-time Classroom Teachers				Principals and Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	18	60.0%	6	20.0%				
Master's Degree	4	13.3%	1	3.3%	2	100.0%		
Master's Degree + 30	1	3.3%						
Specialist in Education								
Ph. D. or Ed. D.								
Total	23	76.7%	7	23.3%	2	100.0%		

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

**Schedule 3**

**Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana**

**Number and Type of Public Schools  
For the Year Ended June 30, 2010**

<b>Type</b>	<b>Number</b>
Elementary	1
Middle/Jr. High	
Secondary	
Combination	
Total	1

Note: Schools opened and closed during the fiscal year are included in this schedule.

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

**Schedule 4**

**Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana**

**Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers  
October 1, 2009**

<b>Classification</b>	<b>0-1 Yr.</b>	<b>2-3 Yrs.</b>	<b>4-10 Yrs.</b>	<b>11-14 Yrs.</b>	<b>15-19 Yrs.</b>	<b>20-24 Yrs</b>	<b>25+ Yrs.</b>	<b>Total</b>
Principals							1	1
Assistant Principals							1	1
Classroom Teachers	8	7	9	3	0	1	2	30
Total	8	7	9	3	0	1	4	32

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.



**Schedule 5****Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana****Public School Staff Data  
For the Year Ended June 30, 2010**

	<b>All Classroom Teachers</b>	<b>Classroom Teachers Excluding ROTC, Rehired Retirees and Flagged Salary Reductions</b>
<b>Average Classroom Teachers' Salary Including Extra Compensation</b>	\$48,183	\$48,183
<b>Average Classroom Teachers' Salary Excluding Extra Compensation</b>	\$47,383	\$47,383
<b>Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries</b>	30	30

Note: Figures reported include all sources of funding (i.e., federal, state and local) but exclude employee benefits. Generally, retired teachers rehired to teach, receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of a federal supplement. Therefore, these teachers are excluded from the compensation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

**Broadmoor Charter School Board, Inc.**  
**New Orleans, Louisiana**

**Class Size Characteristics**  
**October 1, 2009**

School Type	Class Size Range									
	1-20		21-26		27-33		34+		Total	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	19.0%	4	47.6%	10	28.6%	6	4.8%	1	100.0%	21
Elementary Activity Classes										
Middle/Jr. High										
Middle/Jr. High Activity Classes										
High										
High Activity Classes										
Combination	19.0%	4	47.6%	10	28.6%	6	4.8%	1	100.0%	21
Combination Activity Classes										

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum sizes of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and the maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

**Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana**

**Louisiana Educational Assessment Program (LEAP) for the 21st Century  
For the Years Ended June 30, 2010, 2009 and 2008**

District Achievement Results	English Language Arts						Mathematics					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0%	2	3%	0	0%	0	0%	3	4%	0	0%
Mastery	3	3%	12	16%	6	10%	3	3%	9	12%	6	10%
Basic	31	35%	39	53%	19	32%	33	37%	29	40%	18	31%
Approaching Basic	26	29%	15	21%	19	32%	30	34%	19	26%	18	31%
Unsatisfactory	29	33%	5	7%	15	25%	23	26%	13	18%	17	28%
Total	89	100%	73	100%	59	100%	89	100%	73	100%	59	100%

District Achievement Results	Science						Social Studies					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	1	1%	3	4%	2	4%	0	0%	0	0%	1	2%
Basic	14	16%	25	34%	9	15%	17	19%	36	49%	15	25%
Approaching Basic	46	52%	35	48%	26	44%	22	25%	22	30%	11	19%
Unsatisfactory	28	31%	10	14%	22	37%	50	56%	15	21%	32	54%
Total	89	100%	73	100%	59	100%	89	100%	73	100%	59	100%

Note: The School did not service the 8th grade level during the fiscal years shown above, therefore information relating to the 8th grade level is not presented.

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

**Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana**

**The Graduation Exit Examination for the 21st Century  
For the Years Ended June 30, 2010, 2009 and 2008**

District Achievement Results	English Language Arts						Mathematics					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 10												
Advanced												
Mastery												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

District Achievement Results	Science						Social Studies					
	2010		2009		2008		2010		2009		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 11												
Advanced												
Mastery												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

Note: This schedule does not apply.

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana

The iLeap Tests  
For the Years Ended June 30, 2010, 2009 and 2008

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0%	1	1%	0	0%	0	0%
Mastery	3	4%	4	5%	0	0%	1	1%
Basic	24	30%	20	25%	18	23%	24	30%
Approaching Basic	28	35%	30	38%	40	49%	25	31%
Unsatisfactory	25	31%	25	31%	22	28%	30	38%
Total	80	100%	80	100%	80	100%	80	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	3	5%	3	5%	0	0%	0	0%
Basic	24	38%	25	39%	25	40%	32	51%
Approaching Basic	22	35%	12	19%	32	50%	17	27%
Unsatisfactory	14	22%	23	37%	6	10%	14	22%
Total	63	100%	63	100%	63	100%	63	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	1	2%	0	0%	0	0%	0	0%
Mastery	3	6%	4	8%	2	4%	1	2%
Basic	26	53%	17	35%	23	47%	23	47%
Approaching Basic	13	27%	10	20%	14	29%	16	33%
Unsatisfactory	6	12%	18	37%	10	20%	9	18%
Total	49	100%	49	100%	49	100%	49	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	0	0%	1	5%	1	5%	0	0%
Basic	11	53%	10	48%	11	52%	10	48%
Approaching Basic	7	33%	7	33%	7	33%	10	48%
Unsatisfactory	3	14%	3	14%	2	10%	1	4%
Total	21	100%	21	100%	21	100%	21	100%

This schedule not applicable to Broadmoor Charter School Board, Inc. for grade 9 for 2010

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

**Broadmoor Charter School Board, Inc.**  
**New Orleans, Louisiana**

**The iLeap Tests**  
**For the Years Ended June 30, 2010, 2009 and 2008**

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 3</b>								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	2	3%	1	1%	2	3%	1	1%
Basic	17	23%	22	29%	14	19%	21	28%
Approaching Basic	32	42%	26	35%	39	52%	31	43%
Unsatisfactory	24	32%	26	35%	19	26%	21	28%
<b>Total</b>	<b>75</b>	<b>100%</b>	<b>75</b>	<b>100%</b>	<b>74</b>	<b>100%</b>	<b>74</b>	<b>100%</b>

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 5</b>								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	2	6%	4	11%	5	14%	5	14%
Basic	13	36%	15	42%	9	25%	19	53%
Approaching Basic	17	47%	8	22%	14	39%	8	22%
Unsatisfactory	4	11%	9	25%	8	22%	4	11%
<b>Total</b>	<b>36</b>	<b>100%</b>	<b>36</b>	<b>100%</b>	<b>36</b>	<b>100%</b>	<b>36</b>	<b>100%</b>

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Grade 6</b>								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	0	0%	1	4%	0	0%	1	4%
Basic	8	32%	14	56%	11	44%	11	44%
Approaching Basic	9	36%	1	4%	9	36%	7	28%
Unsatisfactory	8	32%	9	36%	5	20%	6	24%
<b>Total</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>

This schedule not applicable to Broadmoor Charter School Board, Inc. for grades 7 and 9 for 2009.

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.

Broadmoor Charter School Board, Inc.  
New Orleans, Louisiana

The iLeap Tests  
For the Years Ended June 30, 2010, 2009 and 2008

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	3	5%	6	10%	0	0%	0	0%
Mastery	6	10%	3	5%	2	3%	3	5%
Basic	12	19%	17	27%	12	19%	31	50%
Approaching Basic	20	32%	16	26%	30	49%	11	18%
Unsatisfactory	21	34%	20	32%	18	29%	17	27%
Total	62	100%	62	100%	62	100%	62	100%

District Achievement Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	1	4%	0	0%	0	0%	2	8%
Basic	8	32%	9	36%	4	16%	12	48%
Approaching Basic	6	24%	6	24%	13	52%	7	28%
Unsatisfactory	10	40%	10	40%	8	32%	4	16%
Total	25	100%	25	100%	25	100%	25	100%

This schedule not applicable to Broadmoor Charter School Board, Inc. for grades 6, 7 and 9 for 2008.

See accompanying Independent Accountants' Report on Applying Agreed-Upon Procedures.



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
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Alcide J. Tervalon, Jr., CPA  
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Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Board of Directors of  
**Broadmoor Charter School Board, Inc.**

In planning and performing our audit of the financial statements of **Broadmoor Charter School Board, Inc. (the School)** for the year ended June 30, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered the **School's** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the School's** internal control. Accordingly, we do not express an opinion on the effectiveness of **the School's** internal control.

However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency. A separate letter dated January 14, 2011 contains our communication of significant deficiencies or material weaknesses in **the School's** internal control. This letter does not affect our report dated January 14, 2011 on the financial statements of **the School**.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various **School** personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:



**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

To the Board of Directors  
**Broadmoor Charter School Board, Inc.**  
Page 2

**2010-MLC-01 – Minutes of Board of Directors Meetings**

During the course of the audit, we reviewed the minutes of meetings of **the School's** Board of Directors. The review of the minutes indicated that there was not consistent documented evidence of a review of **the School's** financial statements on a monthly basis nor any documented evidence of discussions concerning highlights, trends or other issues from **the School's** statement of financial position or statement of activities.

**Recommendation**

We recommend that **the School's** Boards of Directors review **the School's** financial statements on a monthly basis and that the evidence of that review and resulting discussions be reflected in the minutes of its meetings.

**2010-MLC-02 - Organizational Structure**

The size of **the School's** accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain involved in the financial affairs of **the School** to provide oversight and independent review functions.

**Recommendation**

We recommend that the Board of Directors of **the School** continue to be closely involved in the financial affairs of **the School** to provide oversight and independent review functions.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

To the Board of Directors  
Broadmoor Charter School Board, Inc.  
Page 3

**STATUS OF PRIOR YEAR COMMENTS**

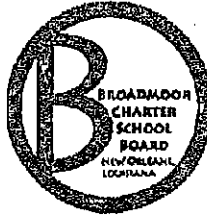
		<u>Resolved</u>	<u>Unresolved</u>
2009 - 01	Deficit Spending	X	
2009 - 02	Student Activities Accounts	X	
2009 - 03	Capitalization of Fixed Assets		X

\*\*\*\*\*

This report is intended solely for the information and use of management, the Broadmoor Charter School Board, Inc.'s Board of Directors, the Louisiana Recovery District and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2011



## CORRECTIVE ACTION PLAN OF THE BOARD

### Foreword

The Board of Directors of the Broadmoor Charter School Board is pleased to submit this Corrective Action Plan in response to the financial audit conducted for the FY 2009-2010. The Corrective Action Plan is part of a larger strategic planning effort launched by the board in February 2011, to comprehensively review the state of the Andrew H. Wilson Charter School. Specifically, The Strategic Planning Committee will review the accounting systems, policies and procedures and the skill-sets of personnel necessary to manage the school finances. This will include, but not be limited to:

- A review of the leadership of the organization
- A review of the relationship with the school's Management Company
- Creating a policy and procedural manual for accounting practices
- Review of the skill-sets that are necessary for bookkeeping and implementation of accounting procedures established

The Board expects this process to be completed by May 2011 and look forward to showing significant progress in the future audits.

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1. During the year, the school continued to enhance its control environment in response to prior year audit recommendations. Some enhancements include consolidation of all charter board activities under one financial software package at the school site, additional reporting at scheduled finance committee meetings, enhanced review of management company invoices, and regular review of the general ledger. These and other additions have helped to enhanced the internal controls of the school.

In the year end consolidation for FY09/10, a journal entry intended to clear out prepaid expenses from the prior year was inadvertently posted in reverse. The error was not realized prior to submission of the general ledger for the audit. This error is believed to be an isolated instance and was corrected prior to release of the financial statements.

Fixed asset records are maintained at the school by the SOM. An error in the formula utilized for calculation of depreciation was discovered by the auditors during the audit process. The error was corrected by the SOM upon notification from the auditor and a correction to the schedule was subsequently made to the report.

The liability accounts in question were accruals established for the purpose of reporting an anticipated liability. This represented an obligation to pay utility costs for the schools previous facility and potential bonuses to the employees. This facility was on loan from the district and the school was obligated to pay utility costs, however, the exact amount owed for utilities was not know at the time of close out and not until the school was invoiced by the RSD. The bonus accrual represented prior year accruals that were not paid out although these funds remained available to pay current year bonuses. Bonus amounts are not determined until after completion of the school year and academic and fiscal analysis of the results are completed. If warranted, they are paid out in December following the year end. Therefore the amount of the accrual is an estimate until actual amounts are authorized.

The enhancements noted above and additional enhancements planned to be implemented in FYE2011 such as monthly review of the general ledger by independent

personnel, more detailed/uniform reporting of account classifications, and a review of the policies and procedures in place are expected to correct any errors that may have occurred. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153

2. The School Operations Manager ("SOM") operates as the Business Director and is responsible for all fiscal activities for the charter including communications between the Charter Holder and the administration. The SOM has several years experience in the field of accounting and finance and receives regular training from the management company. She also has access to other continuing education provided by the LaDOE, Louisiana Legislative Auditor, Louisiana Association of School Board Officials and others. The school will be evaluating the SOM position and its requirements. Additional training will be provided or changes made to the positions responsibilities that are deemed necessary to ensure that the liaison between the school and the Charter Board meets the requirements necessary to fulfill his/her duties. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
3. At the direction of the school, the management company made these purchases on behalf of the school. The purchases were coded to an account titled "reimbursable costs" at the time of the requisition. This account is designated for purchases made by the charter board and not from the schools operating account. The school was later invoiced for the expenses as a separate line item on the invoice. It was subsequently determined that these were actually assets purchased for the school and should have been capitalized and/or expensed as operating expenses. Once the classification error was discovered, the items were reclassified as operational expense and/or fixed assets and the correction to the reports were made. The results of the change was reclassifying from one liability account to another. During the last quarter of FY2010, the school began reviewing in detail all invoices from the management company. The item in question was invoiced prior to implementation of this new procedure. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
4. During the test of transaction procedures performed by the auditor, several items were reported to lack adequate supporting documentation. In each transaction, the school supplied the auditor with what it believed to be adequate documentary evidence to support the transaction. Supporting schedules for journal entries and contracts and amendments to contracts were available upon request and inspection either on site or through the management company. When originals were not maintained on site, copies were available through either LAWSON or from the management company. Other supporting documentation includes copies of invoices, purchase orders, and general journal entries. In the future, the school will be more diligent to attach an explanation to each transaction when the amount and purpose of the disbursement and/or receipt is not easily determined. For cash receipts, the SOM will begin to utilize pre-numbered receipts. For journal entries, additional supporting documents will be attached so that a third party can reasonably determine the purpose and appropriateness of the transaction. The internal controls in place at the school will be reviewed and further enhancements added where deemed appropriate and when possible, originals will be maintained on site. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
5. The management company was contracted to pay the operating expenses of the school. The contract between the management company and the charter requires the charter remit any funds it receives to the management company as reimbursement of the costs paid on its behalf. The difference between the operating expenses of the school and the funds received by the charter is intended to represent the fee to the management company. With the exception of journal entries proposed by the management company, all supporting documentation is maintained and originates at the school. In the future, the SOM will requests supporting documentation for journal entries not originated at the

school site and this documentation will be maintained at the school site. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153

6. Accruals are recorded each month that represent an estimate of the amounts due to employees as of the last day of the month and is intended to accurately report the outstanding liabilities of the school at that time. A reversing journal entry is posted the next day or the first day of the succeeding month to clear out the accrual. The amount of the accrual depends upon the number of days remaining in the pay period and estimates the remaining unpaid amount at months end. Summer pay accruals are intended to allow for the schools eleven month employees to receive pay over the summer month when they are not reporting for work. Summer pay accruals are recorded each month and represents 1/11<sup>th</sup> of each respective employee for the pay period. The amounts recorded are paid to the participating employee in the month of July. The principal's salary was recorded in payroll runs using a different identifier than the remainder of the schools employees. This was intended to identify her salary separately from other school employees because of the nature of her employment. The salary expense of the Principal was properly recorded as an expense of the school and her salary was reported separately in the management company's 941. To obtain a better understanding of these entries, the monthly accruals will be reviewed by the SOM for reasonableness of the entry. In addition, the SOM will requests that the methodology supporting the calculation for the accruals will be provided by the management company. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
7. The contract between the management company and the charter does allow the charter to requests certain information regarding the management company. In fiscal year 2008/2009, the school had a deficit in excess of \$800,000 reported in its results of operations which was forgiven by the management company. Due to amount of debt forgiveness, it is unlikely any profit was made by the management company in the first three years of the contract and thus the charter has not requested this information. At the requests of the auditor, the charter will submit a request of the calculation of the net profit/loss in accordance with the contract. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
8. Scanned copies of invoices, checks and other supporting documents were provided to the auditors as requested. Originals are maintained on site and in some cases with the management company. Copies were provided for inspection to minimize the likelihood that source documentation will be misplaced or lost. Cancelled checks are retained by the banking institution on which they are drawn and originals while available for a costs it is not beneficial to do so. Originals are available for inspection upon requests for all transactions originated at the school. For source documents originated by the management company, the SOM will request and maintain them at the school in the future. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
9. As a result of prior year auditor comments, the school began to consolidate all transactions for the school, the schools activities, and the board expenses to a single accounting software system. Transactions processed by the management company are recorded on the schools own sub-ledger maintained by the management company in accordance with the contract. In the consolidation process, the transactions on the sub-ledger were recorded in summary to the schools ledger through a monthly journal entry and not in detail. The auditor attempted to select samples for testing of detailed transactions from the schools general ledger. The sub-ledgers were provided as supporting documentation to allow more detailed selections. The school will determine if the sub-ledger can be uploaded directly to the general ledger in detail. In addition,

supporting documents will be maintained on site. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153

10. The state requires that each LEA report their financial information utilizing the Louisiana Accounting and Uniform Government Handbook (L.A.U.G.H) chart of accounts. The schools general ledger is maintained utilizing the same chart of accounts as the management company and the schools budget. In the past, the management company provided a "bridge" to convert the accounts to conform to the states L.A.U.G.H. guide and this bridge was used for reporting in the States AFR and PER reports. For fiscal year 2010/2011, the SOM will make the necessary adjustments to the chart of accounts so that it conforms to the L.A.U.G.H guide and the bridge will not be necessary. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
11. The first meeting between the audit firm, the school, and the management company was held on September 29, 2010. The completed general ledger, trial balances and drafted reports were provided the 2<sup>nd</sup> week in October, 2010. This was thought to be sufficient time for the audit to be completed before the December 31 deadline. The field work start date and auditing procedures took a much greater time than what was originally thought. The school will review its entire financial reporting procedures to ensure that audited financials are completed prior to the December 31 deadline. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
12. The school did follow the requirements for procurement for the purchases listed. The \$95,267 was for the purchase of smart boards for the school. Three bids were received and documentation of such is available at the school. The \$41,744 was for the purchase of curriculum expenses through the management company utilizing a national vendor. The management company solicits bids and quotes from vendors each year to obtain the lowest possible costs and purchases for the school are made through these vendors. Documentation is available through the management company. The remaining \$40,178 was for a behavioral intervention consultant hired by the school. No other bids were obtained. In the future, the school will maintain documentation of bid analysis on all of its contracts to ensure compliance and for ease of verification. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
13. The schools employee benefits are provided by the management company as part of the operating contract. These benefits are provided through the management company which is self insured. The benefits packages include health, vision, dental, and life insurance as well as long and short term disability insurance. The costs for the benefits package is actuarially determined based upon the number of employees, prior year claim history, and participation rates and is quoted as a single premium to the school. These costs are then allocated to each employee utilizing a per employee amount and these costs are a legitimate expense of the school. The management company has agreed to make available the data requested so they can review the basis of the calculation so the auditor can satisfy itself of their propriety. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
14. The invoice in question was intended to be funded utilizing multiple funding sources. When the school prepared the reimbursement requests for the PCSP grant, the amount was inadvertently requested using the entire amount and thus a duplicate reimbursement was requested for this amount. The request was made for the balances available for this grant and the school had other eligible expenses that could have been, but were not, selected for reimbursement. This was an oversight by the school. The Board is in the

process of developing a comprehensive accounting policies and procedural manual that complies with 2CFR Section 215.44 and increases accountability of business administrative staff. In addition, the Board is conducting a structural review in order to augment internal controls and capacity to complete tasks accurately and efficiently. Although the error occurred, the school would have had other invoices that would have been eligible to support the requests. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153

15. The school purchased the items in question in accordance with the grant requirements. The items were invoiced and received by the school before the deadline and payment requests were processed before the requests for reimbursement was submitted. As per the contract, all operating expenses are processed by the management company and the management company pays invoices in accordance with vendor provided payment options (i.e. net 30). These payments were made in an attempt to best manage cash reserves. The school will direct the management company in the future of payment requirements when dealing with grant reimbursement requests. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
16. The transactions in question were purchased through an authorized vendor. The school utilized the states authorized vendor website to confirm that the vendor was authorized to do business in Louisiana and not debarred. Documentation of the confirmation was not maintained in the files for these purchases. In the future, the school will print screen shots to substantiate its determination. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
17. The school has assigned personnel to review its procurement policy and to make recommended changes to the policy to align it with 2CFR Section 215.44. This task will be completed in the coming months and in time for implementation for the FY11/12 school year. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
18. The school uses a unique "activity code" for each grant or programs funded by restricted revenues. As noted in the audit finding 2010-09, the sub-ledgers maintained by the management company are used to track expenditures processed on behalf of the school and the schools general ledger is consolidated utilizing monthly summary journal entries. The school will determine what steps are necessary so the consolidation of its financial data results in sufficient detail on the general ledger to satisfy the auditor's requests and in accordance with state statute. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153
19. The school utilizes one of the largest national payroll providers to run its payrolls. Time sheets and attendance documentation is maintained electronically by the provider and approvals are documented online. Time and attendance is recorded by the employee directly and supervisory and SOM review are electronically recorded on the time and attendance records. Payrolls are allocated according to funding sources used to pay each employee. The SOM operates as the administrator for payroll and reviews each payroll for accuracy prior to releasing the record for payment by the provider. Payroll and individual employee time records are available to the school administrator through various reports and these reports and payroll registers are available to download as well as upon requests by the SOM. The school will maintain electronic copies of each payroll register so that they are readily available for inspection. Contact Person: Brett M. Stoltz, CPA, Regional Controller – 985-778-9153

Authorized By:

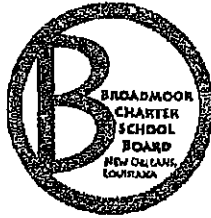


LaToya Cantrell, President



Santiago Burgos, Board Member





## BROADMOOR CHARTER SCHOOL BOARD'S RESPONSE TO MANAGEMENT LETTER COMMENTS

1. The finances of the school are discussed in committee in separate meetings from the Board of Director meetings. These meetings are scheduled monthly with the administration, management company representative, and the Finance and Audit Committee ("FAC"). The record of these meetings is maintained by the Committee Chair. The committee chair presents a committee report to the Board of Directors when it is warranted and this is recorded into the official Board minutes. In the future, the committee chair will include in her *report time and date of committee meeting, discussion points, and any relevant reports* will be attached to the official minutes of the Board.
2. It is not uncommon to have a small staff for a single school due to budgetary constraints. The schools administration is charged with managing the day to day operations of the school and the administration is required to make regular reports to the Board. In addition to other committees, the Board has formed a Finance and Auditing Committee ("FAC") designed to receive regular reports and to meet with the administration of the school as oversight. The FAC is also charged with review of bids and other procurement matters and to make recommendations to the Board on awarding of significant contracts, the committee meetings are scheduled in advance of monthly Board of Director meetings. The Board of Directors also meet monthly to receive committee reports and take action of items presented for approval. *In order to document proper oversight, the committee will continue to be diligent in its review of reports and subsequent reporting of any concerns or matters of relevance to the Board.* In addition, the Board Chairperson will ensure that all committee reports are properly entered into the official minutes.

SIGNED: \_\_\_\_\_

LaToya Cantrell, Resident of the Board